

From: AMEMBASY, VT NIA

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Release of 226 Million Schillings under the Contingent Budget

On July 27, the Finance Ministry announced that part of the first priority of the contingent budget, i.e. 226 million schillings out of a total of 444 million schillings will now be released. The bulk of these funds is earmarked for investments of the railroads (105 million schillings) and the PTT (47 million).

Provisional budget results for the first six months of the year show a smaller deficit of 100 million schillings than had been budgeted (786 million schillings) despite the fact that gross tax receipts at 11,877 million schillings fell short of estimates by 166 million schillings. Net tax receipts of the federal government at 7,957 million schillings (after allocations to local governments, Housing Funds, etc.) fell short of estimates by 125 million schillings. However, as tax revenues are always considerably higher in the second half of the year than in the first, the government feels justified in releasing contingent budget allocations for which it expects cover to become available. (UNCLASSIFIED)

Oil Deliveries to the USSR

It was announced officially that the Soviet Union has acceded to the Austrian request to replace 100,000 tons of crude oil (due in the first half of 1958 under the USA reparations agreement) by other commodities on which negotiations are still in progress.

It was further stated that the Soviet Union has also agreed in principle to a substitution of other commodities for the full annual quota of 200,000 tons of crude oil for the remaining years of the USA agreement. (UNCLASSIFIED)

Comment: The Russian concession repeats a similar one given in December 1956 for deliveries scheduled in first half of 1957. It represents a welcome partial compensation for the decline in Austrian crude production. (OFFICIAL USE ONLY)

Vienna Memorandum Developments

At the last meeting between the Western oil companies and the Austrian Committee prior to the summer vacations a significant new proposal was made on an unofficial basis by the Committee which envisaged a loan or credit to the companies by the Austrian Government. This loan, to be used for oil exploration would be interest-free and repayable (in royalties) only if oil is discovered.

The Austrian Committee also informed the companies that the Lobau refinery could only be returned as a part of a general settlement of the FAG claim for lost exploration rights. The companies protested strongly against this position

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and pointed out that the Vienna Memorandum clearly provided for the immediate return of Lobau without reference to the settlement on lost exploration rights. Moreover, since the companies were willing to agree on the value of the additions to Lobau at approximately 9.6 million schillings no further issue remained for negotiation except the question of profits from the operations of the refinery to which the companies were entitled from November 13, 1955; this question the companies were willing to postpone until after the transfer.

In response to the request of the companies, the Embassy has drafted a note to the Austrian Government and is awaiting the Department's approval. (OFFICIAL USE ONLY)

Peoples Shares

The Finance Ministry has announced that 10 percent of Votax Werke shares will be offered to plant's workers, 15 percent to the public as "peoples shares." For the remaining 75 percent, to be reserved for prospective majority owner or owners, there are at present reported to be 19 applicants. (UNCLASSIFIED)

Controversy on Convertible Bond Issue of EMT

The EMT (enterprise of nationalized electrical industry) has proposed to float convertible bonds in a total amount of 100 million schillings. While the board of managers expressed its unanimous approval of the proposal, the Socialist members of both the board of directors of the EMT, and the board of directors of the Industry and Mining Administration have opposed it. The proposal was nevertheless accepted, since votes were equal and the chairmen of both boards (People's Party members) exercised their deciding votes. As the debentures eventually are to be converted into shares, the project requires the approval of the Main Committee of Parliament. (OFFICIAL USE ONLY)

Teletype Link with USSR

Teletype communication between Austria and the USSR was inaugurated July 26, 1957. Austria had previously established teletype connections with all its neighboring countries on both sides of the Iron Curtain, with most other Western European countries, and with the U. S. (UNCLASSIFIED)

Austria Makes Rail Transit Agreement with CSC

Austria and the Coal and Steel Community representatives on July 26 signed an agreement providing that railroad rates for coal, steel, scrap and ore shipments between CSC countries will also apply to transit through Austria. The agreement is designed to prevent Austria's losing CSC traffic between West Germany and Italy to Switzerland. (OFFICIAL USE ONLY)

According to information furnished on a no-publication basis, the Austrian Federal Railroads calculate that this arrangement will result in rate reductions of up to 17 percent on the transit traffic to which it applies because of the degressive basis of the CSC rates. (OFFICIAL USE ONLY)

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Tourism

While foreign tourist traffic to Austria is still increasing (470 million schillings earned in June compared with 395 million a year ago), the country's luxury and Class A hotel occupancy has dropped considerably from the capacity levels recorded last year. Such hotels in Salzburg, for example, reported only 35 percent occupancy in June and the first half of July, 1957.

Price increases at the luxury and Class A hotels this season ranging from 10 to 20 percent has diverted tourist business to less expensive hotels and camp grounds, filling them to capacity. (UNCLASSIFIED)

Textile Workers Get Delayed Increase

Vorarlberg textile workers were granted a 3.3 percent increase in basic wages, or a 2 percent actual increase, effective January 1, 1958. In addition, they won a one-week's extra pay, effective August 3. Negotiations on the main demand of a vacation bonus equal to that given white-collar workers were postponed until next year. (UNCLASSIFIED)

June Employment Up Slightly

Employment at the end of June totaled 2,214,978 or 1.24 percent more than at the same time in 1956. (UNCLASSIFIED)

Austria Invites Bids for Research Reactor

At a meeting of the board of directors of the Austrian Study Company for Atomic Energy on July 26, it was decided to proceed at once with invitations to bid on the projected Austrian research reactor (5,000 kilowatt swimming pool tank type, 10^{13} neutron flux). Embassy understands that invitations will be sent immediately to following U.S. firms: Babcock & Wilcox, General Electric, Westinghouse, Bendix, Foster-Wheeler, Atomics International, A.M.F., American Standard. In all likelihood the research reactor in question will be the one for which Austria will request AEC financial assistance under President's program. (OFFICIAL USE ONLY)

Comment: The decision of the Study Company follows informal approval by the Finance Ministry of the plan to proceed simultaneously with the research reactor of the Study Company and a training reactor for the Ministry of Education, which results from the private meeting of the Chancellor and Ministers of Trade and Education as reported in WEP No. 17 of July 19. The invitation for bids will, of course, not commit the Study Company or the Austrian Government, and a formal decision by the cabinet on the overall Austrian atomic energy program still remains to be taken, with expectation that cabinet will act early in September. As a practical matter the decision of the Study Company represents a major step which it will be difficult to undo, assuming that there might be any desire to do so. (LIMITED OFFICIAL USE)

Muehlviertel Regional Development Council

On July 23, 1957 the first meeting of the Muehlviertel Regional Development Council was held in Linz. This Council was formed during the early part

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of June by representatives of the Provincial Government of the Chambers of Commerce, and Agriculture, and of Labor. It will begin its operations by conducting an economic survey of the formerly Soviet-occupied Muehlviertel, the results of which will be made available to those interested in the Muehlviertel as a potential area for industrial and agricultural development.
(UNCLASSIFIED)

Further Damage to Grain Crops on Account of Unfavorable Weather

The prolonged dry spell and heat wave were followed by weeks of hard rains, which resulted in further damage to grain crops as the harvest was no more than half way completed.

In the eastern sections, where practically all grain is now combined, the heavy machinery could not be used on the soaked fields and some overripe grain was lost through shattering. In the central and western sections where most grain is harvested with the binder the quality of the grain still shocked in the fields was greatly impaired through soaking and sprouting during the long period of continued wet weather. (UNCLASSIFIED)

Austria Suggest EPU Credit for Poland

The Embassy learned that during the state visit of the West German Chancellor the Austrians suggested to Dr. Adenauer that a credit be extended to Poland through the European Payments Union. Since the Federal Republic has the largest EPU surplus it would most likely supply a substantial part of such a credit. Aid granted by way of the EPU would have the character of a Western European declaration of solidarity and would represent no technical problems since the EPU could extend credit to Poland on the basis of a system of drawing rights established some time ago. Reportedly this idea was noted with interest on the German side.
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